



TAX BULLETIN 03-2

Virginia Department of Taxation

February 18, 2003

IMPORTANT INFORMATION REGARDING **2002 VIRGINIA INCOME TAX RETURNS**

VIRGINIA INCOME TAX INSTRUCTIONS FOR EDUCATORS TAKING ADVANTAGE OF THE FEDERAL DEDUCTION FOR EDUCATOR EXPENSES

Under emergency legislation passed by the 2003 General Assembly and signed by Governor Warner, Virginia's fixed date of conformity to the terms of the Internal Revenue Code has been advanced from December 31, 2001 to December 31, 2002. The legislation allows many Virginians to take immediate advantage of new federal tax laws (see Virginia Tax Bulletin 03-1). The most significant federal change allows Virginia educators a new federal deduction for their personal expenditures on school supplies. This notice is intended to provide educators with information on how to treat this new federal deduction on their 2002 Virginia income tax returns.

Federal tax law allows certain educators to claim up to a \$250 deduction for qualified expenses on their 2002 federal individual income tax return. To determine if you are eligible for this federal deduction, see Page 29 of the 2002 Instructions for federal Form 1040 or Page 30 of the 2002 Instructions for federal Form 1040A. These instructions are available on the Internal Revenue Service's website, <http://www.irs.gov>. If you have claimed a deduction for educator expenses on your federal return, the instructions provided by this bulletin will allow you to take advantage of the federal deduction on your Virginia individual income tax return.

The current filing instructions for Virginia Form 760 were printed prior to the recent change in Virginia law and require educator expenses to be added back to federal adjusted gross income. With the passage of the emergency legislation, this addition is no longer necessary. This bulletin serves to update the filing instructions, solely with respect to educator expenses, for individual taxpayers filing a 2002 Form 760 (Virginia Resident), 2002 Form 763 (Virginia Nonresident), or 2002 Form 760PY (Virginia Part-Year Resident). For all other changes to Virginia's fixed date of conformity to the Internal Revenue Code, please see Virginia Tax Bulletin 03-1.

Special Instructions for Educators

Educators Who Have Not Yet Filed Their Virginia Return

Individuals who have not yet filed their individual income tax returns should not add educator expenses to federal adjusted gross income. Therefore, the instructions requiring this addition should be disregarded when completing your 2002 individual income tax return.

- On Page 14 of the Instructions for **Form 760** (Virginia Resident) Schedule ADJ, line 2a, disregard the addition required under paragraph F.
- On Page 15 of the Instructions for **Form 760PY** (Virginia Part-Year Resident), line 33, disregard the addition required under paragraph F.
- On Page 12 of the Instructions for **Form 763** (Virginia Nonresident), line 31, disregard the addition required under paragraph F.

Educators Who Have Already Filed

Individuals who have already filed a 2002 individual income tax return with a fixed-date conformity adjustment for educator expenses should file an amended 2002 Virginia individual income tax return. For Virginia residents, instructions for filing an amended return are found on Page 21 of the Form 760 Instructions. **Please remember to fill in the oval at the top of Page 1 to indicate that the return is an amended return.** Taxpayers should completely fill out the form without the fixed-date conformity addition for educator expenses as described above.

For nonresidents, instructions for filing an amended return are found on page 18 of the Form 763 Instructions. Instructions for part-year residents filing an amended return are found on page 22 of the Form 760PY Instructions.

If you have any additional questions, please call us at (804) 367-8031 or visit our website at <http://www.tax.state.va.us>. This bulletin, along with all of the forms and instructions referred to in this bulletin are available for download. If you have a question regarding any other fixed-date conformity adjustment and the effect of the emergency legislation advancing Virginia's fixed date of federal conformity, you might wish to review Virginia Tax Bulletin 03-1 that discusses all aspects of the emergency legislation and its changes for taxable years 2001 and 2002. Virginia Tax Bulletin 03-1 is also available on our website.